

**TITLE 20. COMMERCE, FINANCIAL INSTITUTIONS, AND INSURANCE**

**CHAPTER 4. DEPARTMENT OF FINANCIAL INSTITUTIONS**

**ARTICLE 1. GENERAL, ARTICLE 9. MORTGAGE BROKERS,**

**ARTICLE 18. MORTGAGE BANKERS**

- R20-4-102. Definitions**
- R20-4-107. Licensing Time-Frames**
- R20-4-927. Conversion to Commercial Mortgage Broker License**
- R20-4-928. Certificate of Exemption Application and Renewal**
- R20-4-1813. Conversion to Mortgage Broker License**

## **R20-4-102. Definitions**

In this Chapter, unless otherwise specified:

“Active management” means directing a licensee’s activities by a responsible individual, who:

Is knowledgeable about the licensee’s Arizona activities;

Supervises compliance with:

The laws enforced by the Department of Financial Institutions as they relate to the licensee, and

Other applicable laws and rules; and

Has sufficient authority to ensure compliance.

“Affiliate” has the meaning stated at A.R.S. § 6-901.

“Attorney General” means the Attorney General or an assistant Attorney General of the state of Arizona.

“Branch office” means any location within or outside Arizona, including a personal residence, but not including a licensee’s principal place of business in Arizona, where the licensee holds out to the public that the licensee acts as a licensee.

“Business of a savings and loan association or savings bank” means receiving money on deposit subject to payment by check or any other form of order or request or on presentation of a certificate of deposit or other evidence of debt.

“Compensation” means, in applying that term’s definition in A.R.S. §§ 6-901, 6-941, and 6-971, anything received in advance, after repayment, or at any time during a loan’s life. This subsection expressly excludes the following items from those definitions of compensation:

Charges or fees customarily received after a loan’s closing including prepayment penalties, termination fees, reinvestment fees, late fees, default interest, transfer fees, impound account interest and fees, extension fees, and modification fees. However, extension fees and modification fees are compensation if the lender advances additional funds or increases the credit limit on an open-end mortgage as part of the extension or modification;

Out-of-pocket expenses paid to independent third parties including appraisal fees, credit report fees, legal fees, document preparation fees, title insurance premiums, recording, filing, and statutory fees, collection fees, servicing fees, escrow fees, and trustee’s fees;

Insurance commissions;

Contingent or additional interest, including interest based on net operating income; or

Equity participation.

“Commercial finance transaction,” as that term is used in this Section’s definitions of the terms “Engaged in the business of making mortgage loans” and “Engaged in the business of making mortgage loans or mortgage banking loans,” means a loan made primarily for other than personal, family, or household purposes.

“Control of a licensee,” as used in A.R.S. §§ 6-903(O), 6-944(A), or 6-978, does not include acquiring additional fractional equity interests in a licensee by any person who already has the power to vote 51% or more of the licensee’s outstanding voting equity interests.

“Correspondent contract,” as that term is used in A.R.S. §§ 6-941, 6-943, 6-971, or 6-973, means an agreement between a lender and a funding source under which the funding source may fund, or is required to fund, loans originated by the lender.

“Cushion,” as that term is used in R20-4-1811 or R20-4-1908, means funds that a servicer or lender may require a borrower to pay into an escrow or impound account before the borrower’s periodic payments are available in the account to cover unanticipated disbursements.

“Directly or indirectly makes, negotiates, or offers to make or negotiate” and “Directly or indirectly making, negotiating, or offering to make or negotiate,” as those phrases are used in A.R.S. §§ 6-901, 6-941, or 6-971, mean:

Providing consulting or advisory services in connection with a mortgage loan transaction, mortgage banking loan transaction, or commercial mortgage loan transaction;

To an investor, concerning the location or identity of potential borrowers, regardless of whether the person providing consulting or advisory services directly contacts any potential borrowers; or

To a borrower, concerning the location or identity of potential investors or lenders; or

Providing assistance in preparing an application for a mortgage loan transaction, mortgage banking loan transaction, or commercial mortgage banking loan transaction, regardless of whether the person providing assistance directly contacts any potential investor or lender; and

Processing a loan; but

“Directly or indirectly makes, negotiates, or offers to make or negotiate” and “Directly or indirectly making, negotiating, or offering to make or negotiate” do not include:

Providing clerical, mechanical, or word processing services to prepare papers or documents associated with a mortgage loan transaction, mortgage banking loan transaction, or commercial mortgage banking loan transaction;

Purchasing, selling, negotiating to purchase or sell, or offering to purchase or sell a mortgage loan, mortgage banking loan, or commercial mortgage banking loan already funded;

Making, negotiating, or offering to make additional advances on an existing open-ended mortgage loan, mortgage banking loan, or commercial mortgage loan including revolving credit lines;

Modifying, renewing, or replacing a mortgage loan, a mortgage banking loan, or a commercial mortgage loan already funded, if the parties to and security for the loan are the same as the original loan immediately before the modification, renewal, or replacement, and if no additional funds are advanced and no increase is made in the credit limit on an open-ended loan. Replacing a loan means making a new loan simultaneously with terminating an existing loan.

“Electronic record” has the meaning stated at A.R.S. § 44-7002(7).

“Employee” means a natural person who has an employment relationship with a licensee that is acknowledged by both the person and the licensee, and:

The person is entitled to payment, or is paid, by the licensee;

The licensee withholds and remits, or is liable for withholding and remitting, payroll deductions for all applicable federal and state payroll taxes;

The licensee has the right to hire and fire the employee and the employee’s assistants;

The licensee directs the methods and procedures for performing the employee’s job;

The licensee supervises the employee’s business conduct and the employee’s compliance with applicable laws and rules; and

The rights and duties under subsections (a) through (e) belong to the licensee regardless of whether another person also shares those rights and duties.

“Engaged in the business of making mortgage loans,” as that phrase is used in A.R.S. § 6-902, and “engaged in the business of making mortgage loans or mortgage banking loans,” as that phrase is used in A.R.S. § 6-942, mean the direct or indirect making of a total of more than five mortgage banking loans or mortgage loans, or both in a calendar year. Each loan counts only once as of its closing date. A person is not “engaged in the business of making mortgage loans or mortgage banking loans” if the person makes loans solely in commercial finance transactions in which no more than 35% of the aggregate value of all security taken by the investor on the closing date is a lien, or liens, on real property.

“Exclusive contract,” as that term is used in A.R.S. §§ 6-912 and 6-991.02, means a written agreement, pursuant to which a loan originator agrees to perform services as a loan originator

subject to supervision and control of a person holding a certificate of exemption issued pursuant to A.R.S. § 6-912 on an exclusive basis, wherein a loan originator is expressly prohibited from performing loan origination or modification services for any other person during the time the agreement is in effect.

“Generally accepted accounting principles” has the meaning used by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants.

“Holds out to the public,” as used in this Section’s definition of “branch office,” means advertising or otherwise informing the public that mortgage banking loans, commercial mortgage loans, or mortgage loans are made or negotiated at a location. “Holds out to the public” includes listing a location on business cards, stationery, brochures, rate lists, or other promotional items. “Holds out to the public” does not include a clearly identified home or mobile telephone number on a business card or stationery.

“Loan,” as that term is used in A.R.S. §§ 6-126(C)(6) and 6-126(C)(8), means all loans negotiated or closed, without regard to the location of the real property collateral or type of loan.

“Loan Processing” means obtaining a loan application’s supporting documents for use in underwriting.

“Person” means a natural person or any legal or commercial entity including a corporation, business trust, estate, trust, partnership, limited partnership, joint venture, association, limited liability company, limited liability partnership, or limited liability limited partnership.

“Property insurance,” as that term is used in A.R.S. §§ 6-909 and 6-947, does not include flood insurance as that term is used in the Flood Disaster Protection Act of 1973, as modified by the National Flood Insurance Reform Act of 1994. 42 U.S.C. 4001, et seq.

“Reasonable investigation of the background,” as that term is used in A.R.S. §§ 6-903, 6-943, or 6-976 means a licensee, at a minimum:

- Collects and reviews all the documents authorized by the Immigration Reform and Control Act of 1986, 8 U.S.C. 1324a;

- Obtains a completed Employment Eligibility Verification (Form I-9);

- Obtains a completed and signed employment application;

- Obtains a signed statement attesting to all of an applicant’s felony convictions, including detailed information regarding each conviction;

- Consults with the applicant’s most recent or next most recent employer, if any;

- Inquires regarding the applicant’s qualifications and competence for the position;

- If for a loan officer, loan originator, loan processor, branch manager, supervisor, or similar position, obtains a current credit report from a credit reporting agency; and

- Investigates further if any information received in the above inquiries raises questions as to the applicant’s honesty, truthfulness, integrity, or competence. An inquiry is sufficient after two attempts to contact a person, including at least one written inquiry.

“Record” has the meaning stated at A.R.S. § 44-7002(13).

“Registered to do business in this state” means:

- If an Arizona corporation, it is incorporated under A.R.S. Title 10, Chapter 2, Article 1;

- If a foreign corporation, it either transfers its domicile under A.R.S. Title 10, Chapter 2, Article 2, or obtains authority to transact business in Arizona under A.R.S. Title 10, Chapter 15, Article 1;

- If a business trust, it obtains authority to transact business in Arizona under A.R.S. Title 10, Chapter 18, Article 4;

- If an estate, it acts through a personal representative duly appointed by this state’s Superior Court, under the provisions of A.R.S. Title 14, Chapter 3 or 4;

- If a trust, it delivers to the Superintendent an executed copy of the trust instrument creating the trust together with:

  - All the current amendments, or

A true copy of the trust instrument certified accurate and complete by a trustee of the trust before a notary public;

If a general partnership, limited partnership, limited liability company, limited liability partnership, or limited liability limited partnership, it is organized under A.R.S. Title 29;

If a foreign general partnership, limited partnership, limited liability company, limited liability partnership, or limited liability limited partnership, it is registered with the Arizona Secretary of State's office under A.R.S. Title 29;

If a joint venture, association, or any entity not specified in this subsection, it is organized and conducts its business in compliance with Arizona law; or

The entity is exempt from registration.

“Resident of this state” means a natural person domiciled in Arizona.

“Responsible individual” or “responsible person” as those terms are used in A.R.S. §§ 6-903, 6-943, 6-973, and 6-976, means a resident of this state who:

Lives in Arizona during the entire period of designation as the responsible individual on a license;

Is in active management of a licensee's affairs;

Meets the qualifications listed in A.R.S. §§ 6-903, 6-943, or 6-973; and

Is an officer, director, member, partner, employee, or trustee of a licensed entity.

**R20-4-107. Licensing Time-frames. Table A.**

<b>No.</b>	<b>License Type</b>	<b>Legal Authority</b>	<b>Administrative Completeness Review (Days)</b>	<b>Substantive Review (Days)</b>	<b>Overall Time-Frame (Days)</b>
1	<i>Bank</i>	A.R.S. § 6-203, et seq.			
	Initial Application	R20-4-211	45	45	90
2	<i>Bank Trust Dept.</i>	A.R.S. § 6-381			
	Initial Application	A.R.S. § 6-203, A.R.S. § 6-204(C)	45	45	90
3	<i>Savings &amp; Loan</i>	A.R.S. § 6-401, et seq.			
	Initial Application	A.R.S. § 6-408, R20-4-327	75	75	150
4	<i>Credit Union</i>	A.R.S. § 6-501, et seq.			
	Initial Application	A.R.S. § 6-506(A)	60	60	120
5	<i>Trust Company</i>	A.R.S. § 6-851, et seq.			
	Initial Application	A.R.S. § 6-854(A)	75	75	150
6	<i>Consumer Lender</i>	A.R.S. § 6-601, et seq.			
	Initial Application	A.R.S. § 6-603(C)	60	60	120
7	<i>Debt Management</i>	A.R.S. § 6-701, et seq.			

	Initial Application	A.R.S. § 6-704(A), R20-4-602(A), R20-4-620(A)	30	30	60
8	<i>Escrow Agent</i>	A.R.S. § 6-801, et seq.			
	Initial Application	A.R.S. § 6-814	60	60	120
9	<i>Mortgage Broker/ <u>Commercial Mortgage Broker</u></i>	A.R.S. § 6-901, et seq.			
	Initial Application	A.R.S. § 6-903(C) & (D)	60	60	120
10	<i>Mortgage Banker</i>	A.R.S. § 6-941, et seq.			
	Initial Application	A.R.S. § 6-943(D)	60	60	120
11	<i>Commercial Mortgage Banker</i>	A.R.S. § 6-971, et seq.			
	Initial Application	A.R.S. § 6-974(A)	60	60	120
12	<i>Acquisition of Control of Financial Institution</i>	R20-4-1602, R20-4-1702			
	Initial Application	A.R.S. 6-1104	30	30	60
13	<i>Money Transmitter</i>	A.R.S. § 6-1201, et seq.			
	Initial Application	A.R.S. § 6-1204(A)	60	60	120
14	<i>Advance Fee Loan Broker</i>	A.R.S. § 6-1301, et seq.			

	Initial Application	A.R.S. § 6-1303(A)	30	30	60
15	<i>Premium Finance Co.</i>	A.R.S. § 6-1401, et seq.			
	Initial Application	A.R.S. § 6-1402(C)	60	60	120
16	<i>Collection Agency</i>	A.R.S. § 32-1001, et seq.			
	Initial Application	A.R.S. § 32-1021, R20-4-1502	30	15	45
17	<i>Motor Vehicle Dealer</i>	A.R.S. § 44-281, et seq.			
	<del>Dealer</del> <u>Initial</u> Application	A.R.S. § 44-282(B)	30	15	45
18	<i>Sales Finance Co.</i>	A.R.S. § 44-281, et seq.			
	<del>Sales Finance</del> <u>Initial</u> Application	A.R.S. § 44-282(B)	30	15	45
19	<i>Deferred Presentment Company</i>	<del>A.R.S. § 6-1259</del>			
	<del>Initial</del> Application	<del>A.R.S. § 6-1253</del>	<del>60</del>	<del>60</del>	<del>120</del>
19	<u><i>Certificate of Exemption</i></u>	<u>A.R.S. § 6-912</u>			
	<u>Initial</u> Application	<u>A.R.S. § 6-912(B)</u>	<u>45</u>	<u>45</u>	<u>90</u>
20	<u><i>Loan Originators</i></u>	<u>A.R.S. § 6-991, ET SEQ.</u>			
	<u>Initial</u> Application	<u>A.R.S. § 6-991.04(A)</u>	<u>60</u>	<u>60</u>	<u>120</u>

**R20-4-927. Conversion to Commercial Mortgage Broker License**

A. A mortgage broker licensee shall only be permitted to convert their license to a commercial mortgage broker license during the renewal period, on or before December 31, pursuant to A.R.S. § 6-904.

B. At the time of conversion, the licensee shall not be required to complete twelve continuing education units as prescribed by A.R.S. § 6-903(V).

C. At the time of conversion, the licensed mortgage broker shall submit applicable renewal documents and fees required by A.R.S. §§ 6-903(G) and 6-126 for commercial mortgage brokers.

**R20-4-928. Certificate of Exemption Application and Renewal**

A. Pursuant to A.R.S. § 6-912(C), upon application for a certificate of exemption, the applicant shall pay a non-refundable fee of three hundred dollars (\$300).

B. Any persons holding a certificate of exemption shall pay a renewal fee of one hundred fifty dollars (\$150) on or before December 31 of each year. Certificates of exemption not renewed by December 31 are suspended, and the certificate holder shall not act as an exempt person until the certificate is renewed or a new certificate is issued pursuant to A.R.S. § 6-912. While the certificate is suspended, none of the licensed loan originators sponsored by the exempt person may transact business. An exempt person may renew a suspended certificate by paying the renewal fee plus twenty-five dollars (\$25) for each day after December 31 that a renewal fee is not received by the superintendent and applying for renewal as prescribed by the superintendent. A certificate of exemption that is not renewed by January 31 expires. A certificate of exemption shall not be granted to the holder of an expired certificate of exemption except as provided in A.R.S. § 6-912 for the issuance of an original certificate of exemption. Each licensed loan originator that is sponsored by an exempt person whose certificate has expired shall have their license placed on an inactive status and shall not be allowed to transact business in Arizona as a loan originator until a new sponsorship is obtained.

C. In addition to the application fee, on issuance of the certificate of exemption, the superintendent shall collect the first year's renewal fee prorated according to the number of quarters remaining until the date of the next annual renewal, as required by A.R.S. § 6-126(B).

D. The following fees are payable to the department:

1. To change the name of the federally chartered savings bank on a certificate of exemption: two hundred fifty dollars (\$250)

2. To change the responsible individual for the exempt entity: two hundred fifty dollars (\$250)

3. To issue a duplicate or replace a lost certificate of exemption: one hundred dollars (\$100)

4. To change the address of the federally chartered savings bank on a certificate of exemption:  
fifty dollars (\$50)

**R20-4-1813 Conversion to Mortgage Broker License**

A. Pursuant to A.R.S. § 6-126(B)(35), to apply for a conversion from a mortgage banker license to a mortgage broker license, the applicant shall submit during the renewal period all applicable renewal documents and renewal fees required by A.R.S. §§ 6-126 and 6-903 for mortgage brokers.